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Office of Internal Audit and Investigations 2013 annual report to the Executive Board

Summary

The present report provides information on the activities of the Office of Internal Audit and Investigations during the year ended 31 December 2013. It delivers an overview of the Office of Internal Audit and Investigations, describes the key issues highlighted by its internal audit and investigations work, and gives information on the disclosure of internal audit reports during 2013. The management response to the report is presented separately, as requested by the Executive Board in its decision 2006/18. The annual report of the UNICEF Audit Advisory Committee for 2013 may be found on the Executive Board website.

* E/ICEF/2014/5.

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I. Executive summary

1. The Office of Internal Audit and Investigations (OIAI) provides UNICEF with independent and objective assurance and advisory services in accordance with the OIAI Charter. In 2013, OIAI was free from interference in determining its audit and investigations scope, performing its work and communicating its results. It has been able to meaningfully contribute to the overall oversight system of UNICEF.

2. Internal audits performed by OIAI help to strengthen UNICEF transparency and accountability regarding the efficient and effective use of resources for achievement of results for children. Its investigation function helps UNICEF to implement a zero-tolerance policy on misconduct, fraud and corruption by investigating allegations of corrupt or fraudulent practices or misconduct involving UNICEF and parties working for or with it. OIAI also focuses management attention on trends, themes and risks; it is able to do this because its remit and activities cover the entire organization, giving it a unique overview.

3. At year end OIAI had issued 51 internal audit reports, and an additional 13 were in varying stages of completion. The reports issued contained a total of 517 actions (including 129 high-priority ones) that management had agreed to implement to address the risks identified by the audits. OIAI also completed six advisory engagements, issuing reports for three. The audits indicate that significant risks continue to exist in four institutional risk areas: results-based management and reporting; budget and cash management; governance and accountability; and supply and logistics.

4. OIAI handled 148 investigation cases in 2013. The majority involved (a) misuse of funds by a third party; (b) burglary, robbery or theft of UNICEF property or funds; and (c) service delivery. Of the 148 allegations received, 103 were closed as completed, including 38 that were unsubstantiated and 26 that OIAI assessed as being outside its purview. Management has taken action, as known to OIAI, on 16 of the 19 investigation reports concerning UNICEF staff. The quantified financial impact of investigated cases is $193,909, of which $57,122 had been recovered as of 31 December 2013.

5. In accordance with Executive Board decision 2012/13 of June 2012, OIAI has continued to publicly disclose internal audit reports, thus directly contributing to UNICEF efforts to increase accountability and transparency to stakeholders.

6. The Audit Advisory Committee continued to advise the Executive Director on ways to strengthen the internal audit and investigations functions of UNICEF. OIAI continued to receive strong support from the UNICEF Executive Director and senior management, who have remained committed to developing and implementing adequate organizational strategies to address the risks identified.

II. Mandate and strategic approach

7. The authority and operational independence of OIAI are established in the UNICEF Financial Regulations and Rules and defined in the OIAI Charter. The most recent version of the charter was approved by the Executive Director on 29 May 2012.

8. OIAI aims to help UNICEF fulfil its fiduciary responsibilities in achieving its programme goals, so that UNICEF can do more for children. Internal audits accomplish this by providing independent, objective assurance and consulting services designed to add value and improve UNICEF operations. OIAI investigations help UNICEF implement a policy of zero tolerance for misconduct, fraud and corruption by examining and determining the veracity of (a) allegations of corrupt or fraudulent practices involving UNICEF and parties working for or with UNICEF, and (b) allegations of misconduct involving UNICEF staff, consultants, non-staff personnel and institutional contractors.

9. In addition to providing specific audits and advisory and investigation services, OIAI adds value to UNICEF by focusing senior management's attention on cross-cutting themes, trends and risks. OIAI can do this because of its independence and objectivity. It also has a broad institutional remit that transcends organizational units and an end-to-end view of core business processes and the links between them. This allows it to analyse processes and identify root causes.

10. The main elements leading to effective and efficient implementation of the OIAI mandate are (a) its functional independence and access to people and records; (b) sufficiency of resources; (c) extent of internal audit and investigation coverage; (d) quality and timeliness of audit and investigation results; and (e) usefulness of these results to key stakeholders.

11. In 2013, there was continuing independent oversight by the Audit Advisory Committee. In addition, OIAI maintained systems to ensure (a) adequate risk-based planning; (b) identification of fraud risks for follow-up action; (c) a quality assurance and improvement programme for both audit and investigations; (d) sufficiency of staff resources; and (e) access to and cooperation with the UNICEF Executive Director and senior management, along with key UNICEF partners.

12. In 2013, the Audit Advisory Committee continued to provide independent advice to the Executive Director to promote the effectiveness of internal audit and investigations functions. The Committee reviewed the OIAI annual workplan, quarterly progress reports and the 2012 annual report. It also reviewed the external quality assurance review reports (see paragraph 16) and the related OIAI action plans for both internal audit and investigations.

13. OIAI continued to receive strong support from UNICEF senior management. The office's Director had regular, productive meetings with the Executive Director and senior management to discuss progress in implementing the OIAI workplan and the results from audit and investigations. The OIAI Director also participated in senior management meetings as an observer, helping to increase awareness of key issues for follow-up by OIAI.

14. OIAI continued to participate in the activities of the Representatives of Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions. Based on the audit frameworks agreed upon with this group's members in 2007 (for multi-partner trust funds) and in 2011 (for the Delivering as One programme), OIAI participated in three inter-agency audits (see paragraphs 44 and 45), two of which were completed in 2013.

15. OIAI also continued to be represented on the Organizing Secretariat of the Conference of International Investigators. It cooperated with the heads of investigation sections across the United Nations system to share best practices.

16. In 2013, an independent quality assurance review confirmed that OIAI was generally compliant with both the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and the Uniform Guidelines for Investigations (endorsed by the 10th Conference of International Investigators in 2009). This was the first external review of the UNICEF investigations function, which began operations in late 2008.

III. Resources

17. In 2013 the OIAI structure included 30 staff positions: director, deputy director, 2 chiefs of audit, chief of investigations, professional practices chief, editor, 17 auditors, 3 investigators and 3 administrative assistants.

18. The Director joined OIAI in the first week of January 2013 and the Deputy Director in mid-July. OIAI also recruited two P5 senior internal auditors in the first quarter and one P-2 internal auditor in August. In the last quarter, two P-4 internal auditor positions were filled through internal promotions, and the resulting vacant P3 posts were filled in the same quarter. One P-2 auditor position was vacant at year end. The office had also begun recruitment of the additional P-2 investigator position approved for 2014-2017.

19. The office also benefited from the knowledge and time (23 person-weeks) of operational staff from UNICEF country offices, who provided administrative and operational support in audits of country offices other than their own, under the supervision of the audit team. The approximate total cost to OIAI was $62,000, for travel expenditures.

20. OIAI engaged third-party consultants for a total expenditure of approximately $331,000. These pertained to (a) investigation services; (b) audits of the Treasury and of payroll management, including information technology systems; (c) the audit of procurement of supplies, equipment and services; and (d) the audit of the Public Alliances and Resource Mobilization Office. The figure also includes the cost of the consultancy firm that conducted the external quality assessment.

21. The office had a budget allocation of $6,717,648 for 2013, of which 97 per cent was expended by year end. The largest expenditure categories were staff salaries and travel. The office closely monitored the sufficiency of resources to meet its mandate.

22. Throughout 2013, OIAI maintained an efficient office structure, in compliance with UNICEF policies and procedures. It undertook several improvements, to strengthen office management, streamline methodologies and adopt new tools. OIAI introduced remote audits of small and lower-risk country offices.

IV. Basis for providing independent assurance to the Executive Director

23. OIAI hereby confirms to the Executive Board its organizational independence. In 2013, OIAI has been free from interference in determining its audit scope, performing its work and communicating its results.

24. Internal audits in 2013 supplemented other oversight mechanisms that provide assurance to the Executive Director and the Executive Board concerning the adequacy and effectiveness of governance, risk management and control processes to ensure (a) efficient and effective use of UNICEF resources; (b) safeguarding of assets; (c) compliance with regulations, rules and policies; and (d) reliable reporting on financial and programme performance.

25. To provide assurance on governance, risk management and control processes, the OIAI internal audit workplan was fully risk-based and covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels. OIAI identifies areas of higher risks for UNICEF through a bottom-up approach. It involves reviewing prior audit results; leveraging knowledge of risks and controls; regularly consulting with management; and collaborating with external auditors, the Evaluation Office, the Ethics Office and the risk officer. This is complemented by a top-down approach, in that OIAI fully considers institutional priorities and management's view of risks to determine risk criticality and establish annual priorities for audit.

26. The annual OIAI workplan is reviewed by the Audit Advisory Committee and approved by the Executive Director. OIAI adjusts its workplan throughout the year, mainly on the basis of revised priorities and security conditions in the field. OIAI also submits a quarterly performance report to the Executive Director and the Audit Advisory Committee that explains these modifications to the approved workplan.

27. The original OIAI approved workplan included 80 outputs. At year end, it was adjusted downward to 72 outputs, a 10 per cent decrease. OIAI believes the revised workplan was still sufficient to provide the level of internal audit assurance initially envisaged.

28. OIAI issued 55 internal audit and advisory engagement reports in 2013. This consisted of 39 new audit and advisory engagement reports and finalization of 15 audits and 1 advisory engagement that were in process at the end of 2012. Two additional advisory engagements were completed in 2013 without issuance of reports. OIAI completed 87 per cent of the original approved workplan target of 45 new outputs to be completed in 2013. The trend in productivity compared to the prior year was positive; the total number of outputs doubled, from 29 outputs in 2012 to 57 in 2013.

29. The 51 audits completed in 2013 included 42 country office audits, 1 regional office audit, 6 headquarters audits and 2 inter-agency audits. The country office audits included 40 full-scope office audits and 2 audits of a specific function or functions in those offices. The six headquarters audits involved two headquarters business audits and four corporate functions audits, including two audits related to information technology. Annex 1 presents the titles of all internal audit reports issued in 2013.

V. Disclosure of internal audit reports

30. The audit work of OIAI directly contributed to UNICEF efforts to provide greater accountability and transparency to stakeholders. In accordance with Executive Board decision 2012/13 of June 2012, OIAI has publicly disclosed all internal audit reports issued after 30 September 2012. Of the reports issued in 2013, 31 country office and 5 non-country office audits had been publicly disclosed in full by the end of 2013. A further two were redacted and three were withheld by the Director of OIAI in 2013, subsequent to comments received from the concerned Member State and/or the Executive Director. All reports disclosed to date may be viewed on the OIAI pages of the UNICEF website at www.unicef.org/auditandinvestigation.

31. Following implementation of full public disclosure from October 2012, there was a decline in the volume of requests to limit viewing of historical internal audit reports. Executive Board decisions 2009/8 and 2011/21 regarding limited disclosure relate only to those reports issued by OIAI from 2009 to the end of September 2012. OIAI made available three internal audit reports to be viewed by two Member States and approved non-Member States through the legacy remote access system.

VI. Internal audit results

A. Actions agreed by management

32. The 51 internal audit reports issued by OIAI contained a total of 517 actions that management agreed to take in order to address the risks and weaknesses identified by the audits. Of these, 129 (25 per cent) were rated as high priority (i.e., requiring immediate attention) and 388 (75 per cent) were rated as medium priority. The number of high-priority recommendations in each of the internal audit reports issued is given in annex 1.

33. Audits of country offices and headquarters and thematic audits include a review of key processes under the 12 risk areas UNICEF has defined under its risk assessment and reporting structure. Under 7 of the 12 risk areas, OIAI has categorized the actions agreed by management as shown in table 1. (Action related to the remaining 5 risk areas is detailed in paragraph 34.)

Table 1
Number of agreed actions by key risk are

		Number of recommendations		*Per cent of total*	
Risk category	*Risk area*	*Total*	*High priority*	*Total*	*High priority*
Institutional	Funding and external stakeholder relations	32	6	6%	5%
	Governance and accountability	97	21	19%	16%
Programmatic and operational	Budget and cash management	63	17	12%	13%

Risk category	Risk area	Number of recommendations		Per cent of total	
		Total	High priority	Total	High priority
	Human resources and unethical behaviour	26	7	5%	5%
	Information technology systems and information security	35	9	7%	7%
	Results-based management and reporting	197	56	38%	44%
	Supply and logistics	67	13	13%	10%
Total		**517**	**129**		

34. In 2013, issues related to the risk area of fraud and misuse of resources were addressed under investigations, and issues related to the risk area of organizational strategy and neutrality were primarily tested at the country level under governance and accountability. A few audit issues identified under the safety and security risk area were communicated to management confidentially, for immediate attention. There were no significant audit issues for the risk areas of natural disasters and epidemics or unidentified/unclassifiable.

35. OIAI identified five key processes under four institutional risk areas as presenting the key risks for UNICEF, as follows:

(a) Governance and accountability:

(i) *Supervisory structures* (9 per cent of all high-priority recommendations). This covers establishment and functioning of mandated statutory committees and other advisory groups.

(b) Results-based management and reporting:

(i) *Support to implementation* (28 per cent of all high-priority recommendations). This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners;

(ii) *Monitoring of programme implementation* (11 per cent of all high-priority recommendations). This covers the extent to which inputs are provided, work schedules are kept to and planned outputs are achieved, so that any deficiencies can be detected and dealt with promptly;

(c) Budget and cash management:

(i) *Financial management* (11 per cent of all high-priority recommendations). This covers budgeting, accounting, bank reconciliations and financial reporting.

(d) Supply and logistics:

(i) *Procurement and contracting* (8 per cent of all high-priority recommendations). This covers the full procurement and supply cycle,

including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.

36. UNICEF management has agreed and taken action to address or mitigate the risks in order to further improve the management for results.

B. Distribution of audit ratings

37. Based on the results of an audit, OIAI assigns an overall audit rating; listed from positive to negative, they are: (a) unqualified, (b) moderately qualified, (c) strongly qualified or (d) adverse. This four-tier rating allows senior management to get an overall picture of audit results for the organizational unit or function audited and to focus its risk management efforts on those that are rated adverse or strongly qualified. The ratings of adverse and strongly qualified mean that OIAI is of the view that controls and processes related to the unit or function audited needed improvement to be adequately established and functioning. Conversely, unqualified and moderately qualified audit ratings signal to management that OIAI was satisfied that controls and processes were generally established and functioning as intended.

38. Out of 51 internal audit reports issued in 2013, 30 had a moderately qualified rating, 20 had a strongly qualified rating and 1 had an adverse rating. The West and Central Africa region accounted for half of the 21 strongly qualified/adverse audit ratings, and the East and Central Africa region for 25 percent. Table 2 presents the distribution of ratings by type of audit.

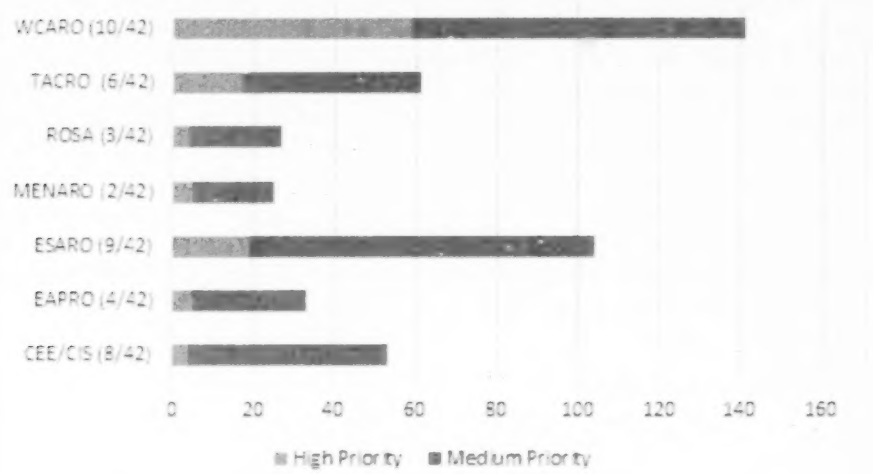
Table 2
Distribution of audit ratings

Audit areas		*Number of audits*	*Number of unqualified ratings*	*Number of moderately qualified ratings*	*Number of strongly qualified ratings*	*Number of adverse ratings*
Country office audits	WCARO	10	0	0	9	1
	TACRO	6	0	4	2	0
	ROSA	3	0	3	0	0
	MENARO	2	0	1	1	0
	ESARO	9	0	4	5	0
	EAPRO	4	0	3	1	0
	CEE/CIS	8	0	8	0	0
Inter-agency audits		2	0	2	0	0
Headquarters, Regional and Thematic		7	0	5	2	0
Total		**51**	**0**	**30**	**20**	**1**

C. Significant results of country office audits

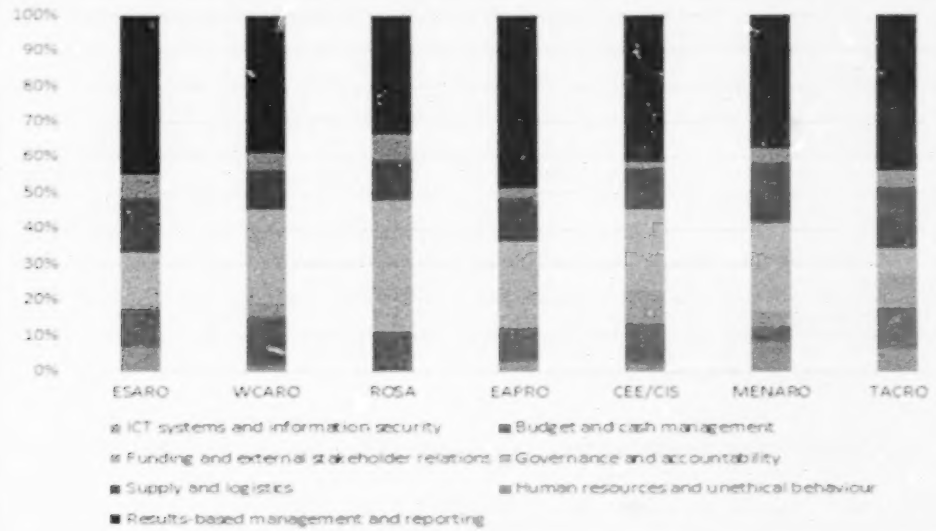
39. The 42 country office audits completed in 2013 included 40 full-scope audits and two audits that focused on a country office's specific function. The number of agreed high- and medium-priority actions arising from audits of country offices in each region is presented in figure I. As shown, the highest number of country office audits was conducted in the West and Central Africa region, which also had the highest number of agreed actions.

Figure I
Number of agreed actions by region and priority rating



40. The highest frequency of agreed actions was found in the risk area of results-based management and reporting (see figure II). This was followed by the risk area of governance and accountability. The main cause for the risks identified concerned assurance that UNICEF partners have delivered activities and spent funds as intended/reported. UNICEF policy provides for a structured approach to obtaining this assurance, but offices did not always implement it. At the same time, internal governance mechanisms for country offices were not always adequate to effectively manage risk and oversee programme implementation and general office administration.

Figure II
Distribution of agreed actions by risk area and region



41. The two limited-scope audits were conducted to cover the high level of risks presumed in two specific functions, one in the Kenya country office and the other in the Sierra Leone office. The significant results of these audits are as follows.

42. *Government of the Netherlands-Supported WASH Programme of the Kenya Country Office 2013/24*: This audit reviewed controls over the Netherlands-supported water, sanitation and hygiene education (WASH) programme of the Kenya country office. The audit recommended that the office take immediate necessary measures to accelerate improvements in internal controls, governance and risk management of the programme; build capacity of partners to ensure effective programme monitoring; and implement an assurance plan, including spot checks on the use of funds.

43. *Supply Management in Sierra Leone Country Office 2013/32* The audit covered aspects of UNICEF supply management in Sierra Leone, including planning for and clearance of shipments and handling of supplies in-country. A number of recommendations were made, including to strengthen risk management; review the structure and skills of the supply unit; prepare an annual procurement plan; and promptly review and pay invoices.

D. Significant results of inter-agency audits

44. *Democratic Republic of Congo Country Office Pooled Fund 2013/15*: The Democratic Republic of Congo Pooled Fund was established in 2006 for humanitarian activities in the country. It is intended to improve the ability of the United Nations to target, raise and deploy funds for the most critical humanitarian needs. The OIAI audit was one of a number of coordinated audits conducted by participating agencies. The audit found that the UNICEF office's controls over its

activities related to the Pooled Fund were generally functioning and noted that the office had developed an innovative and flexible approach to responding to emergencies. The audit did not issue any high-priority recommendations. However, it issued a number of less urgent recommendations connected with cluster coordination, monitoring of emergency response and cash transfers.

45. *Joint Audit of the Joint Office in Cape Verde 2013/47, UNDP No. 1154*: The Cape Verde office is part of a joint inter-agency country programme, and UNICEF participated in a joint audit of the office with the United Nations Development Programme (UNDP), United Nations Population Fund and United Nations Office on Drugs and Crime. The report, issued by UNDP, raised a number of issues, of which six were considered high priority. These concerned weaknesses in joint resource mobilization strategy, funds allocation criteria, sustainability of the Coherence Unit, programme planning, monitoring and evaluation, and assurance activities under the harmonized approach to cash transfers. The audit also noted the lack of a joint memorandum of understanding, which was rated a high-priority issue, but no recommendation was issued on it.

E. Significant results of headquarters and regional office audits

46. *Baseline Security in the UNICEF ERP System 2013/07*: The audit assessed the UNICEF enterprise resource planning (ERP) baseline security and its protection of the confidentiality and integrity of data and programmes. As a result of the audit, OIAI recommended that UNICEF consider having a dedicated, specialized function for ERP security, along with updated procedures covering all its aspects. OIAI also recommended having documented criteria for granting access to critical permissions.

47. *User Access Controls and Segregation of Duties 2013/08*: The audit assessed UNICEF processes to detect and prevent unauthorized access and alterations in the ERP system through weaknesses in user access controls. The audit noted that UNICEF did not yet have an operational framework for the design and modification of user roles, segregation of duties and other areas. The number of segregation-of-duties conflicts in the Virtual Integrated System of Information (VISION) was very high, and access rights were not immediately flagged for potential violations when granted. The audit made several recommendations to address these matters and recommended having documented criteria to identify critical transaction codes.

48. *Procurement on Behalf of Other Organizations and Governments by Supply Division 2013/11*: The UNICEF Supply Division procures supplies, equipment and services for UNICEF and for governments, other United Nations organizations and non-governmental organizations. The audit found that controls over procurement on behalf of other organizations and governments were generally functioning, and no high-priority recommendations were made. However, OIAI did make some less urgent recommendations regarding some systems and processes for governance, accountability, performance monitoring, information technology and workflow.

49. *UNICEF Treasury Management 2013/25*: The OIAI audit of UNICEF Treasury management covered a number of areas, including risk management, safeguarding of financial assets, optimization of investment returns and reporting. It found controls generally functioning and noted several positive practices, including a comprehensive foreign currency risk management strategy. The audit made a

number of recommendations for further improvement, including reduction of unnecessary manual processes and measures to reduce returned payments.

50. *East Asia and Pacific Regional Office 2013/46*: The audit of the East Asia and Pacific Regional Office identified a number of positive practices, including a broad range of measures to improve emergency preparedness, good support to country offices on risk-informed planning, support to programme monitoring, strong attention to ethical conduct and behaviour, and adequate procedures for financial and property management. The audit made a number of recommendations, only two of which were regarded as high priority. They concerned the approach to cash transfers to partners, and procurement processes.

51. *Public Sector Alliances and Resource Mobilization Office (PARMO) 2013/54*: PARMO has lead responsibility for UNICEF resource mobilization from public sector donors. The audit found controls over PARMO generally functioning and identified some satisfactory practices, including the availability of guidance for country offices on fundraising and clear demarcation of responsibilities for donor engagement. However, the audit recommended revision of the executive directive to set out a strategic vision for resource mobilization and a global strategy to improve donor reports.

52. *Office of Research 2013/55*: The Office of Research is based at the Innocenti Research Centre in Florence. It aims to focus and exploit UNICEF knowledge and experience, encourage new research and better inform UNICEF work in country and regional offices. The audit's most important recommendations were for issuance of an executive directive setting out a policy on research that defines the office's mandate and reporting requirements and a review of the office's funding mechanisms.

F. Advisory services

53. Consistent with internal audit standards, the OIAI workplan is designed to include a reasonable number of advisory reviews. These provide management with guidance on risks and controls and assist in adding value and depth to OIAI's core assurance work. They also allow OIAI to assist management in ensuring timely intervention on issues of concern. OIAI issued four advisory engagement reports and completed two more advisory service engagements for which no reports were issued.

54. Three of the advisory engagements related to cross-cutting areas in UNICEF. They were (a) a user assessment of VISION implementation; (b) input to efforts to strengthen implementation of the harmonized approach to cash transfers; and (c) participation in discussions and consultations on updating the regulatory framework. The other three advisory engagements related to issues in specific country offices, including (a) support to the Sierra Leone country office in settling a dispute with a clearing and forwarding company; (b) follow-up on the progress made by UNICEF in managing the infested corn-soya blend in the Somalia country office; and (c) assisting the Somalia country office by reviewing liquidation documents supplied by an implementing partner.

55. *User assessment of VISION implementation (2013/20)*: OIAI originally proposed this as an audit, but changed it to an advisory services engagement based

on its limited scope. VISION (Virtual Integrated System of Information) is the UNICEF management system, introduced in January 2012. The advisory engagement reviewed the extent to which users were prepared for VISION's roll-out, their level of acceptance and their satisfaction with it. It also identified lessons learned. The advisory services work was based on survey analysis and interviews with UNICEF senior management. On the basis of this work, OIAI suggested a communications strategy to share information about the project's accomplishments. This would emphasize the benefits of VISION to its users, and would encourage relevant divisions and/or business owners to improve coordination, training and reporting. Other important aspects of VISION's implementation, such as a cost-benefit analysis, are planned for 2014, as part of an audit.

56. *Support to Sierra Leone Country Office in settling dispute with a clearing and forwarding company (2013/23)*: This advisory service was requested by the UNICEF West and Central Africa Regional Office. OIAI was asked to review a report commissioned by the country office that indicated over-charging by a Government-owned clearing and forwarding company. OIAI determined that there was no overcharge to the country office. However, it also identified significant risks related to the supply function in the Sierra Leone country office, and adjusted its workplan to include an audit of this area. This was issued as *Supply management in Sierra Leone Country Office 2013/32* (see paragraph 43 above).

57. *Follow-up on the progress made by UNICEF in managing the infested corn soya blend in the Somalia Country Office Report 2013/02 (2013/42)*: OIAI initiated this advisory engagement to follow up on UNICEF progress in managing an infested consignment of corn soya blend. The problem with this consignment had been disclosed in the Somalia country office report, issued in February 2013. OIAI determined that the required steps were being taken to identify the causes of the infestation, recover losses, and dispose of contaminated supplies.

58. *Cash advances, liquidation and reimbursement from the Somalia Country Office (2013/51)*: The Somalia country office requested this engagement, as it had concerns over the documentation related to the liquidation of a number of cash advances submitted to it by an implementing partner. OIAI reviewed the sufficiency, accuracy and completeness of liquidation documents for cash advances and/or reimbursements. From the documentation provided, OIAI could not satisfy itself that it was sufficient to support the liquidation and/or reimbursement of past and pending cash transfers. Advice given included clear identification of original supporting documents, further review and confirmation of third-party charges, and consultation with the regional office, for guidance.

59. *Input to agency efforts to strengthen implementation of the Harmonized Approach to Cash Transfers (HACT)*: OIAI originally initiated this as an audit and included it in the 2013 workplan. It was changed to an advisory services engagement in the first quarter, in recognition of other initiatives in this area currently underway in the United Nations, such as the United Nations Development Group's review of the HACT Framework. The advisory work provided by OIAI included: review and provision of comments on the draft revision of the HACT Framework; commentary on the quality of audit reports of implementing partners of country offices; review of, and comments on, the proposed UNICEF HACT policy revisions; and contributions to the HACT audit and assurance and HACT validation workshops.

60. *Advisory input to discussions on the regulatory framework*: At the request of the Change Management Office, OIAI provided input to the development of an updated organizational regulatory framework to support UNICEF in its ongoing drive for better use of resources. The input also addressed recommendations OIAI had made in the *Audit of the framework for managing policies, procedures and guidance* (2012/15). OIAI provided advice on clarification of objectives, definition of terminology, linkage to frameworks, and presentation.

G. Follow-up on audit recommendations

61. As part of its audit activity, OIAI continued to undertake regular desk reviews to follow up on the progress of implementation of all actions agreed by management to address the issues noted in audit engagements. Mitigating actions that have not been implemented more than 18 months from the date indicated for their completion are included in OIAI's quarterly reports and flagged for the attention of the Executive Director, senior management and the Audit Advisory Committee.

62. As of 31 December 2013, there were five outstanding recommendations older than 18 months, well within the UNICEF target of 'below 10'. One related to country offices and four to headquarters, regional offices and thematic areas. Annex 2 includes the details of recommendations outstanding for more than 18 months.

VII. Investigations results

A. Case management

63. OIAI managed 148 investigation cases during 2013, as shown in table 3. This included 21 cases carried over from 2012 and 127 allegations received in 2013 that were found to constitute serious suspicions of wrongdoing. The overall caseload intake more than doubled from 62 cases in 2012 to 127 cases in 2013.

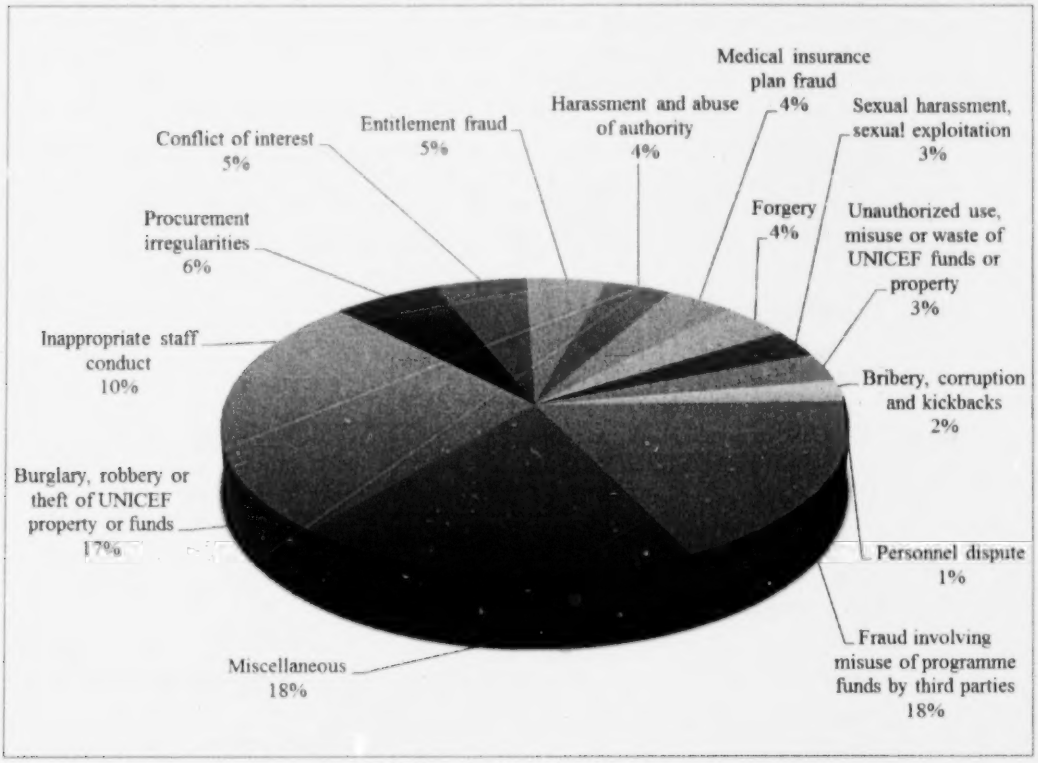
Table 3
Processing of investigation cases in 2013

	Number of cases
Carry-over as of 1 January 2013	21
Intake during the year	127
Total cases	**148**
Closed (from cases carried over)	(21)
Closed (from intake)	(82)
Total cases closed	**103**
Cases ongoing as of 31 December 2013	45

B. Analysis of cases

64. OIAI analyses allegations and cases under 17 categories (see figure III). The majority of cases in 2013 involved three categories: *fraud involving misuse of programme funds by third parties* (23 cases, or 18 per cent); *miscellaneous* (23 cases, or 18 per cent); and *burglary, robbery or theft of UNICEF property or funds* (21 cases, or 17 per cent). *There were no cases in 2013 under three categories: gross mismanagement; wilfully making false allegations; and whistleblower retaliation.*

Figure III
Cases by categories in 2013


Medical insurance plan fraud 4%
Harassment and abuse of authority 4%
Entitlement fraud 5%
Conflict of interest 5%
Sexual harassment, sexual exploitation 3%
Forgery 4%
Procurement irregularities 6%
Unauthorized use, misuse or waste of UNICEF funds or property 3%
Inappropriate staff conduct 10%
Bribery, corruption and kickbacks 2%
Burglary, robbery or theft of UNICEF property or funds 17%
Personnel dispute 1%
Fraud involving misuse of programme funds by third parties 18%
Miscellaneous 18%

65. The majority of cases originated from the Eastern and Southern Africa region (24 per cent), the West and Central Africa region (23 per cent) and the South Asia region (22 per cent).

66. The 45 cases ongoing as of 31 December 2013 consisted of allegations of *fraud involving misuse of programme funds* by third parties (17 cases, or 38 per cent) and *burglary, robbery or theft of UNICEF property or funds* (7 cases, or 15 per cent). Investigations of allegations of *fraud involving misuse of programme funds by third parties* are more resource-intensive and typically require travel by investigators.

C. Disposition of 103 completed cases

67. In 38 instances (or 37 per cent), the case was closed because the assessment by OIAI could not substantiate the allegation. Another 26 matters were assessed and considered outside the purview of OIAI. They were referred for action to another UNICEF office, another organization or a local authority. Most of the referrals are categorized as *miscellaneous*, meaning they relate to a question or concern linked to delivery of services or supplies that would be addressed by the country or region without the need for OIAI's involvement (22 such cases under the *miscellaneous* category.) The disposition of all cases completed in 2013 is described in more detail in table 4. The disposition of cases by category of allegation is shown in Annex 3.

Table 4
Disposition of investigation cases in 2013

	Number of cases
Closure memorandum (allegation not substantiated)	38
Referral to a UNICEF office, United Nations body or local authority	26
Closure memorandum (allegation in which no offender was identified)	12
Closure memorandum (staff member left the organization during investigation)	5
Closure memorandum (offender identified and arrested by local authority)	3
Investigation report submitted to Division of Human Resources	19
Total cases closed in 2013	**103**

68. Of the 103 cases closed in 2013, 85 per cent were closed within six months of receipt of the allegation.

69. The quantified financial impact, as known to OIAI, of investigated cases is $193,909, of which $57,122 had been recovered as of 31 December 2013. A breakdown of these amounts is presented in table 5.

Table 5
Financial impact of investigation cases in 2013

	Reported impact	*Amount recovered*
Entitlement fraud	$32 210.03	$31 846.53
Medical insurance plan fraud	$14 497.28	$7 720.22
Unauthorized use, misuse or waste of UNICEF property or funds	$1 822.48	$1 822.48
Burglary, robbery or theft of UNICEF property or funds	$120 541.67	$3 819.00
Fraud involving misuse of programme funds by third parties	$24 837.56	$11 914.06
Total	**$193 909.02**	**$57 122.29**

D. Disciplinary measures and other actions taken

70. OIAI submitted 19 investigation reports, related to 19 staff members, to the Policy and Administrative Law section of the Division of Human Resources for appropriate action. By the end of 2013, they had resulted in the following:

(a) One dismissal;

(b) Four written reprimands;

(c) Two written censures;

(d) One written censure with loss of steps in grade;

(e) Two demotions;

(f) Two demotions with deferment of eligibility of promotion for one year; and,

(g) Four reports that resulted in no further action.

71. The remaining three reports referred to the Division of Human Resources were still in process as of 31 December 2013.

E. Risk management

72. OIAI analyses allegations and investigation findings and reports to management on trends identified and lessons learned, to help UNICEF management in its efforts to address fraud and misconduct risks in a timely and effective manner. The results of the analysis also serve as a basis for OIAI to develop training and tools to further enable UNICEF staff to identify and mitigate corruption risks.

F. Strengthening of investigations capacity

73. In 2013, a staff of four investigators conducted all the UNICEF investigations. Consultancy services were used to support case management and execution of investigations. At year end OIAI was in the process of recruiting an additional P-2 investigator with forensic background.

74. In its 2014 work planning OIAI noted that it would require additional permanent resources to fill the estimated resource gap of 440 investigator-days based on workload projections. Strengthening the investigation capacity will help OIAI to deliver the full range of activities required under its mandate, especially in terms of effectively meeting the demand for advice and interventions related to allegations concerning third parties working for or with UNICEF.

Annex 1

Audit and advisory reports issued in 2013[1]

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
1	2013/01	*Kenya country office*	12	1	Q-M
2	2013/02	*Somalia country office*	15	3	Q-M
3	2013/03	*Nigeria country office*	17	4	Q-S
4	2013/04	*Lao People's Democratic Republic country office*	7	0	Q-M
5	2013/05	*Burkina Faso country office*	8	3	Q-S
6	2013/06	*Ethiopia country office*	12	3	Q-S
7	2013/09	*Mongolia country office*	5	0	Q-M
8	2013/10	*Honduras country office*	3	1	Q-M
9	2013/12	*Angola country office*	17	0	Q-M
10	2013/13	Botswana country office	6	1	Q-M
11	2013/14	*Senegal country office*	9	4	Q-S
12	2013/16	*Democratic Republic of the Congo country office*	17	6	Q-S
13	2013/17	The former Yugoslav Republic of Macedonia country office	7	0	Q-M
14	2013/18	Montenegro country office	6	0	Q-M
15	2013/19	Romania country office	6	1	Q-M
16	2013/21	Bhutan country office	6	1	Q-M
17	2013/22	Uganda country office	10	3	Q-S
18	2013/26	Guyana and Suriname joint country office	4	1	Q-M
19	2013/27	United Republic of Tanzania country office	13	2	Q-S
20	2013/28	Ecuador country office	18	5	Q-S
21	2013/29	São Tomé and Principe country office	13	5	Q-S
22	2013/30	Equatorial Guinea country office	15	7	Q-S
23	2013/31	Gabon country office	10	3	Q-S

[1] The audit and advisory reports are listed in order of report reference number. Reports in italics were carried over from 2012.

[2] The report conclusions may be: Unqualificd (satisfactory) (U); Qualified-moderate (Q-M); Qualified-strong (Q-S); or, [redacted]

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
24	2013/33	Egypt country office	6	2	Q-M
25	2013/34	Republic of Moldova country office	6	0	Q-M
26	2013/35	Thailand country office	10	2	Q-M
27	2013/36	Congo country office	15	7	Q-S
28	2013/37	Maldives country office	3	0	Q-M
29	2013/38	Malaysia country office[3]	11	3	Q-S
30	2013/39	Kazakhstan country office	6	0	Q-M
31	2013/40	Serbia country office	6	1	Q-M
32	2013/41	Lesotho country office	10	2	Q-S
33	2013/43	Yemen country office	19	3	Q-S
34	2013/44	Paraguay country office	13	2	Q-M
35	2013/45	Jamaica country office	6	1	Q-M
36	2013/48	Georgia country office	7	2	Q-M
37	2013/49	Haiti country office	17	7	Q-S
38	2013/50	Armenia country office	9	0	Q-M
39	2013/52	Chad country office	20	8	Q-S
40	2013/53	Afghanistan country office	18	3	Q-M
41	2013/24	Government of the Netherlands-supported WASH programme of Kenya country office	9	4	Q-S
42	2013/32	Supply management in Sierra Leone country office	17	11	
		Headquarters, regional office and thematic area audits			
1.	2013/07	*Baseline security in the UNICEF ERP system*	6	3	Q-S
2.	2013/08	*User access controls and segregation of duties*	10	5	Q-S
3.	2013/11	*Procurement on behalf of other organizations and governments by Supply Division*	6	0	Q-M
4.	2013/25	*UNICEF Treasury Management*	13	2	Q-M
5.	2013/46	East Asia and Pacific regional office	17	2	Q-M

[3] The total of recommendations in the Chad, Yemen and Georgia audits include risks contained in confidential memos.

No.	Reference	UNICEF country office audits	Number of agreed actions		Report conclusion[2]
			Total	High priority	
6.	2013/54	Public Sector Alliances and Resource Mobilization	10	2	Q-M
7.	2013/55	Office of Research	7	2	Q-M
		Inter-agency audits			
1.	2013/15	Democratic Republic of the Congo country office Pooled Fund	4	0	Q-M
2.	2013/47	Cape Verde country office[4]	0	0	Q-M
		Advisory services			
1.	2013/20	*User assessment of VISION implementation*	NA	NA	NA
2.	2013/23	Support to Sierra Leone country office in settling a dispute with a clearing and forwarding company	NA	NA	NA
3.	2013/42	Follow-up on the progress made by UNICEF in managing the infested corn-soya blend in the Somalia country office	NA	NA	NA
4.	2013/51	Cash advances, liquidation and reimbursement from the Somalia country office	NA	NA	NA
		Total	**517**	**129**	

NA = not applicable.

[4] The Cape Verde joint audit report included 18 recommendations (6 high priority), though none were addressed to UNICEF specifically for complete action.

Annex 2

Recommendations unresolved for more than 18 months

I. Bolivia (Plurinational State of Bolivia) country office report, issued March 2011 (one recommendation, open 33 months)

1. The office should commission a special audit of funds transferred to the Beni Department of Health Services as per the framework guidelines of the harmonized approach to cash transfers, with guidance and if necessary support from the regional office and OIAI.

Summary status: The Bolivia country office was awaiting approval from the UNICEF Comptroller to write off the funds given to Sedes Beni. This was received in February 2014, and has OIAI has now closed the recommendation. As of 31 December 2013, however, this approval had not been received and the recommendation was therefore open for the purposes of this report.

II. Audit of staff rotation, issued June 2011 (one recommendation, open 30 months)

2. The recommendation pertains to global and senior staff rotation as well as periodic management evaluation of staff rotation.

3. Summary status: The last update was in February 2013. An initial draft of a new rotation policy was shared with the Office of the Executive Director and comments had just been received. Once these have been satisfactorily addressed, the draft will move into the consultation phase of the policy development process.

III. Audit of framework for managing policies and procedures, issued June 2012 (three recommendations, open 18 months)

4. One recommendation pertains to governance structure for managing organizational policies, procedures and guidance that balance the practical realities of the UNICEF business model with good practices.

5. Summary status: The latest update was in November 2013. The task force continues to work on:

(a) Standardized organizational approach to the development, management and quality assurance of policy, procedure and guidance;

(b) Governance and oversight of the regulatory framework, including proposals for delegation of authority tools;

(c) A global platform that will ensure access to all regulatory content and enable monitoring and management of framework content, including feedback mechanisms to inform future development of regulatory content;

(d) A systematic approach for headquarters divisions to consolidate, review and revise all existing regulatory content for integration into the approved framework;

(e) A proposal for a roll-out and implementation plan to support the organization in transitioning to the new regulatory framework structure and approach.

6. A second recommendation pertains to establishing minimum standards for policy development and management.

7. Summary status: The latest update was in November 2013. The discussion paper is scheduled to be presented to the Effectiveness and Efficiency Steering Committee for discussion and validation.

8. The third recommendation pertains to defining a common organizational platform for storing all policies and procedures.

9. Summary status: The latest update was in November 2013. A consultancy firm has been contracted to develop a strategy and roadmap for the UNICEF corporate information management architecture. The task force anticipates that the regulatory framework will be a prominent feature in this architecture and that that the architecture will allow appropriate linkages among policy, procedure and guidance and training materials and other knowledge resources. The task force awaits the recommendations of the consultancy and the decisions of the Executive Director and the Global Management Team.

Annex 3

Disposition of 2013 allegation cases by category

Category of Allegation	Disposition of Cases						Total cases by category
	Closure Memorandum (following preliminary assessment, where allegation was not substantiated)	Closure memorandum (staff member left the organisation during investigation)	Closure memorandum (offender identified and arrested by local authorities)	Closure memorandum (no offender identified)	Investigation report submitted to DHR	Referral (to UNICEF Office/UN body/Local Authorities)	
Procurement Irregularities[5]	6	0	0	0	1	0	7
Harassment or Abuse of Authority	6	0	0	0	1	0	7
Conflict of Interest	5	0	0	0	1	0	6
Burglary, Robbery or Theft of UNICEF Property or Funds	4	1	1	10	0	1	17
Fraud involving Misuse of Programme funds by Third Parties	4	0	2	0	0	1	7
Unauthorised use, misuse or waste of UNICEF Funds or Property	5	0	0	0	2	0	5
Inappropriate Staff Conduct	3	0	0	1	7	0	11

[5] Including three cases of hiring of consultants.

Entitlement Fraud	2	1	0	0	3	1	7
MIP Fraud	2	3	0	0	1	0	6
Forgery	2	0	0	1	2	0	5
Personnel Disputes	1	0	0	0	0	0	1
Gross Mismanagement resulting in either financial or reputational damage to UNICEF	0	0	0	0	1	0	1
Miscellaneous	0	0	0	0	0	21	21
Sexual Harassment, Sexual Exploitation	0	0	0	0	0	2	2
Total	**38**	**5**	**3**	**12**	**19**	**26**	**103**